

) **CASE NO. IPC-E-01-16**

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) **NOTICE OF WORKSHOP**

) **AND CLARIFICATION OF**

) **SCOPE**

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to the Commission.” IDAPA 31.01.01.273. To the extent that it will affect the pricing and risk mitigation methodologies currently under discussion, the Commission invites parties to consider another issue in the context of settlement negotiations.

By way of review, the PCA is comprised of two major components: 1) excess Company power supply costs during the preceding twelve (12) months, which include off-system power purchases from the regional power market beyond the amount included in customer base rates; and 2) the projection of the next year’s power supply costs based on expected Snake River stream flows and storage. Order No. 28685. When establishing the PCA mechanism, the Commission noted that:

The ability of a forecast-based PCA to send correct price signals and to appropriately time the recovery of costs depends, of course, upon the accuracy of the forecast. We share the concerns of the Staff and ICIP that if Idaho Power's forecast is seriously in error, it may result in a true-up larger than the primary adjustment. This impairs the ability of the PCA to send proper price signals.

Order No. 24806 at 7. No one could have predicted the drought experienced by southern Idaho last year. After suffering through the wholesale market volatility and extreme drought conditions of the 2000-2001 PCA year, it is apparent that the PCA’s ability to send a timely price signal under such conditions was greatly diminished. Although the PCA works well over a broad range of water conditions when market prices are stable, the PCA mechanism was not designed to provide timely price signals or immediate recovery of extraordinary power supply costs when market prices are volatile.

Many residential customers have expressed frustration that they continue to pay 7 cents for electricity even though wholesale market prices have been at 2 or 3 cents per kWh during the last several months. Given the extraordinary circumstances of the 2000-2001 PCA year and the multiple requests received for emergency program funding through the PCA mechanism, the Commission believes that it is time to review the basic framework of the PCA.

In re-evaluating the PCA framework, we encourage the parties to consider establishing a market price cap or other mechanism that limits recovery through the PCA of excess power supply costs associated with higher market prices. We suggest the parties contemplate an emergency surcharge or other method that allows prudently incurred power supply costs exceeding the price cap to be recovered in a time frame more consistent with when

the costs are incurred. The Commission does not wish to limit Idaho Power's recovery of reasonably incurred power costs; we merely invite discussion of an additional mechanism to better match the timing of cost recovery to when power purchase expenses are actually incurred.

### **NOTICE OF WORKSHOP**

The Commission requests that the parties discuss the capping mechanism and other recovery mechanisms during their continued settlement negotiations.

YOU ARE FURTHER NOTIFIED that the next workshop in this case is scheduled for **Thursday, February 28, 2002 at 9:00 a.m.** This all-day meeting will take place at the offices of Idaho Power Company, located at 1221 West Idaho Street, Boise. Although the parties have been meeting periodically since last summer to resolve the issues in dispute, interested persons may attend the meeting and should notify Betsy Gaultney of Idaho Power (208-385-5309) of their intent to attend.

DATED at Boise, Idaho this                      day of February 2002.

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Jean D. Jewell  
Commission Secretary

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